STANDARD & POOR'S

# Global Credit Portal®
## RatingsDirect®

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**Summary:**
# Bedford, Massachusetts; General Obligation


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**Summary:**

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| Credit Profile | | |
|---|---|---|
| US$10.055 mil GO rfdg bnds due 02/01/2023 | | |
| *Long Term Rating* | AAA/Stable | New |
| Bedford Twn GO | | |
| *Long Term Rating* | AAA/Stable | Affirmed |
| **Bedford Twn GO** | | |
| *Unenhanced Rating* | AAA(SPUR)/Stable | Affirmed |

Many issues are enhanced by bond insurance.

## Rationale

Standard & Poor's Ratings Services has assigned its 'AAA' long-term rating to the town of Bedford, Mass.' general obligation (GO) refunding bonds and affirmed its 'AAA' ratings on Bedford's existing parity debt. The outlook is stable.

The ratings reflects our opinion of:

- A residential community with access to, and participation in, the deep and diverse Greater Boston employment base;
- Very strong household income measures and a favorable unemployment average;
- An extremely strong and diverse tax base;
- A strong financial position, despite recent decreases, and good management policies; and
- A low overall net debt burden as a percent of market value, an aggressive principal amortization schedule, and minimal long-term capital needs.

The town's full faith pledge secure the GO bonds. The town will use the bond proceeds to refund a portion of its series 2003 GO bonds.

Bedford, with an estimated population of 13,986, is an affluent mature suburb 15 miles northwest of Boston along Interstate 95 and State Route 3. The town's property tax base is extremely strong and diverse, in our view, with a good mix of residential (78% of assessed value (AV)), industrial (10%), and commercial (9%) property.

Given its proximity to Boston and other large employment centers in the region, Bedford's total AV rose considerably in the past decade. While selling prices for individual residential properties did decrease during the recession, total market value, in our opinion, remains extremely strong and, according to management, is beginning to stabilize. For 2011, AV totaled $2.7 billion, a 5% decrease from the peak value in 2008, and per capita market value was $196,480. Household income measures are also very strong, in our opinion. The 2010 median household effective buying income was 197% of the U.S. level. Similarly, per capita effective buying income was 191% of the U.S. level. Unemployment in the community is also low. As of April 2011, the town's unemployment rate was 5%, lower than the commonwealth and well below the national average.

The town's financial position remains strong, in our view, despite recent pressures on revenues. In fiscal 2011, the town implemented Governmental Accounting Standards Board (GASB) Statement No. 54, which is intended to make fund balance reporting more consistent and transparent. The town reported a general fund surplus of $1.1 million (1.5% of expenditures), driven by better-than-budgeted local revenues. Overall, the town's total fund balance was $15.2 million, or roughly 20% of expenditures. The total fund balance was made up of $4 million of restricted funds, which include the town's reserve funds for other postemployment benefits (OPEB) and pension benefits; $3.9 million of committed funds, made up of designations for subsequent years' expenditures, continuing appropriations, and debt service funds; $1.3 million of assigned funds, made up of encumbered funds; and $5.8 million in unassigned fund balance, which includes the town's stabilization funds. The town's unassigned fund balance is equivalent to 7.8% of expenditures, which is good, in our view.

Bedford's 2012 budget totals $71.2 million, a less-than 1% increase from the previous year. At this juncture, management states that revenues are trending ahead of expectations and general fund expenditures are within budgeted estimates. The town hopes to produce an operating surplus this fiscal year to build back up its stabilization account.

With Bedford's property tax levy making up more than 69% of total revenues, the town benefits from the diversity and strength of its tax base. Tax collections have remained strong despite the weaker economy. Current collections have averaged 99% in the past five years. State aid represents a limited share of the town's general fund revenue, at 18%.

Based on a review of several key financial practices, Standard & Poor's considers Bedford's management practices "good" under its Financial Management Assessment (FMA) methodology. In our framework, an FMA of good indicates financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.

Bedford's overall debt burden is moderate, in our view, but low as a percent of market value. The town has issued the majority of its long-term debt for school building purposes, with reimbursements from the Massachusetts School Building Authority. Given this, future capital needs are limited. The town's overall net debt burden is $4,145 per capita, roughly 2.1% of market value. The debt service carrying charge is 10%, but amortization of principal debt is very aggressive, with the town retiring 78% of the principal in 10 years. Including this issue, all of the town's debt will be retired by 2031. According to management, future debt will be minimal--the town has only roughly $1.6 million of authorized unissued debt.

A long-term credit consideration is the town's pension and OPEBs. For pensions, the town participates in the contributory retirement system of Middlesex County. In 2010, it contributed $2.6 million to the plan, or 3.7% of expenditures. To help manage sudden contribution rate increases, the town maintains a pension retirement account that it uses intermittently. The current balance of the account is $1.3 million.

Regarding its OPEB liability, the town's unfunded actuarial accrued liability was $71.2 million based on its most recent study, done in January 2009. In fiscal 2011, the annual required contribution (ARC) was $5 million. The town's pay-as-you-go contribution was $1.1 million, which was roughly 24% of the ARC. To begin funding this liability, the town received special enabling legislation and created a Postretirement Benefit Liability Fund. The balance in this account was $2.2 million at the close of 2011. The town continues to explore long-term strategies to fully fund this liability.

## Outlook

The outlook is stable. We do not expect to revise the rating within the two-year parameter of the outlook because we believe the town will likely continue to maintain strong reserves. In our view, the town's extremely strong and diverse property tax base lends stability to property tax revenue, which is the town's main revenue source. Moreover, given the town's modest identified needs and aggressive debt amortization schedule, we expect the town's debt service payments as a percent of general fund expenditures to remain moderate and the overall net debt burden to remain low relative to the market value.

## Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

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